

Brussels, 31st January 2011

**Statement of the Network of European Financial Institutions
for Small and Medium Sized Enterprises (NEFI)**

**on the Public consultation on a possible successor to the Competitiveness and
Innovation Framework Programme (CIP)**

NEFI appreciates the possibility to take part in the public consultation on a possible successor to the Competitiveness and Innovation Framework Programme (CIP), as some of the NEFI members are important intermediaries of the CIP financial instruments.

NEFI is a network of national promotional institutions and funds in EU member countries with identical mission, namely ensuring available, affordable and easily accessible instruments in support of the local SMEs. NEFI members are therefore important partners for the implementation of EU programs.

Among the various initiatives launched by the EU the MAP and the CIP guarantee facilities have been particularly attractive for the national SME financers. The risk mitigation character enabled various financial intermediaries to implement tailor made SME support programs for their well known target group. The national promotional institutions and funds combine the EU resources with the national know-how and existing distribution channels. The additional support of promotional elements enhances the effects intended by the EU program. This combination helps to create a one-stop-shop of financial instruments from the SME point of view.

NEFI recommends the Commission to continue the support with respect to SMEs access to finance particularly by an EU guarantee instrument. The guarantee instrument has many advantages:

- ensures the continuity and sustainability of the newly introduced programs currently benefiting from CIP,
- allows the flexible implementation of support programs for SME financing needs,
- could be used for loans, quasi-equity or venture capital,
- is highly efficient with remarkable leverage through national funds and
- allows the streamlining of different EU SME support programs (for ex. CIP, JEREMIE, PROGRESS, RSFF)

The continuation of the CIP program after 2013 is particularly desirable taking into consideration the resources invested by all parties for the implementation of the program. The European Investment Fund (EIF) and the intermediaries have invested and gained remarkable experience in the application, management and reporting of the CIP guarantee instrument. They are built around the core strengths of the EIF (expertise and risk management with a portfolio approach) and have reported good results in terms of leveraged funding and cost per SME employee.

NEFI members would appreciate simplification and transparency under existing structures rather than introducing a totally new framework. To give an example, the Commission should review the interpretation of the additionality criterion. "Additionality" should leave room for a national or regional promotional intermediary to apply the guarantee on its

respective market and to combine with its own support measures also for already existing products. The requirement for the intermediary to introduce a new EU-promoted program is from the Commission's point of view indeed understandable but inefficient and not customer friendly. More transparency - or even better the waiver – with regards of the “minimum portfolio size” is another practical proposal from NEFI members. To further develop the handling of an EU guarantee instrument NEFI suggests the Commission to publish clear ex-ante application requirements.

NEFI members would like to stress that there is a need to foster venture capital in the European Union. Nevertheless it is obvious, that enhancing venture capital activities

- can not only be reached by financial instruments but need also the appropriate regulatory framework and the entrepreneurial spirit
- VC financial instruments reach only a small part of larger SMEs and are only successful as a cyclical instrument.

Therefore, any venture capital support – e.g. through guarantees for investments from national financial intermediaries – should be seen as a complementary instrument to instruments directed at facilitating access to loan funding for SMEs.

About the Network of European Financial Institutions for SMEs (NEFI)

The Network of European Financial Institutions for SMEs (NEFI) consists of 15 financial institutions from 14 member states of the European Union and Croatia. These institutions share a public mission to facilitate the access to finance for SMEs by offering them financial services and expertise. This mission was entrusted to them by the government and/or the legislation in force in their respective countries. Other, similar tasks have been assigned to the member institutions in the fields of the environment and infrastructure, among other things. All NEFI partners act complementarily to and in co-operation with the national banking system through co-financing, risk-sharing, expertise and advice in order to address shortcomings in the SME financial markets.

In 2009, NEFI institutions actively supported and financed a total of more than 338,000 SMEs all over Europe with about € 49 billion of financing in the form of loans and guarantees.

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